

Message Text

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DRAFTED BY EA/IMS:ARDORNHEIM:CCH
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FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L STATE 091459

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E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: INDONESIAN LNG FOR CALIFORNIA

REF: JAKARTA 5003

1. SUBSTANCE REFTTEL PASSED TO O'ROURKE SOUTHERN CALIFORNIA GAS, WHO UNDERSTANDS COMMUNICATIONS PROBLEM NOW. HE AND TODD HAVE PROPOSED MAY 8-10 FOR VISIT, WHICH HAS BECOME MORE IMPORTANT IN VIEW OF EVENTS DESCRIBED BELOW.

2. NATIONAL ENERGY PROGRAM DOCUMENT, WHICH WILL BE ISSUED NEXT WEEK, WILL PROPOSE ABANDONMENT OF 2 TCF PER YEAR LIMIT TO IMPORTATION OF LNG BUT WILL ALSO PROPOSE DENIAL OF EXIMBANK AND MARAD FACILITIES TO IMPORTED LNG PROJECTS. O'ROURKE OPINES THAT PERTAMINA WILL BE MUCH UPSET BY UNAVAILABILITY OF EXIM LOANS, BUT HE BELIEVES HE, TODD, LEINBACH AND OTHERS MAY WELL BE ABLE TO CONVINCE INDO-
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NESIANS THAT HOWEVER SERIOUS A PROBLEM THIS MIGHT SEEM AT FIRST, PROJECT IS "NOT DEAD IN THE WATER". O'ROURKE THINKS PERTAMINA WILL BE LESS CONCERNED ABOUT UNAVAILABILITY OF MARAD'S TITLE V (CONSTRUCTION SUBSIDY) AND TITLE XI (MORTGAGE GUARANTEE) FACILITIES. THESE WILL GIVE PACIFIC LIGHTING/PGE PROBLEM, THOUGH. HIGHER SHIP COSTS WILL BE LESS OF A PROBLEM THAN LACK OF MORTGAGE

GUARANTEES, WHICH COULD FORCE DISAPPEARANCE OF ONE OF U.S. SHIPOWNERS FROM PROJECT AND A SEARCH FOR A NEW SHIPOWNER PARTICIPANT.

3. INITIAL BRIEF FILED APRIL 14 BY PERTAMINA'S COUNSEL (VINSON ELKINS) WITH FPC ADMINISTRATIVE LAW JUDGE CONTAINS A STRONG CHALLENGE TO COMMISSION'S AUTHORITY. BRIEF ALLUDES TO POSSIBILITY THAT COMMISSION MAY ISSUE CERTIFICATE APPROVING IMPORTATION AND RESALE OF IMPORTED LNG WITH PROVISIO THAT QUARTERLY PRICE CHANGES BE SUBJECT TO FPC REVIEW AND STATES THAT "PROJECT CANNOT GO FORWARD UNLESS COMMISSION APPROVES IN FULL AND UNCONDITIONALLY THE OPERATION OF PRICING PROVISIONS SET FORTH IN CONTRACT". BRIEF STATES FURTHER THAT PACIFIC LIGHTING WOULD ALSO FIND A CONDITIONAL FPC CERTIFICATE ON PRICING PROVISIONS "UNACCEPTABLE" AND HAS WARNED THAT IN THIS CIRCUMSTANCE, EITHER PARTY TO SALES CONTACT COULD RESCIND IT. (O'ROURKE CONFIRMS). FPC STAFF MEMBER SAYS HE IS UNAWARE OF ANY OTHER FOREIGN SUPPLIER TAKING THIS TOUGH A STANCE BEFORE ADMINISTRATIVE LAW JUDGE; HE OBSERVES THAT TRUNKLINE DECISION, WHICH NOW AWAITS RESOLUTION ONLY OF PRICING ISSUE, WILL PROBABLY BE ISSUED NEXT WEEK.

4. NEW ENERGY PROGRAM HAS CAUSED A SETBACK FOR PACIFIC LIGHTING ON FEA FRONT. FEA HAS ANNOUNCED IT WISHES TO REVIEW DE NOVO ALL SYNTHETIC FUELS PROJECTS (INCLUDING NEW PROPANE-AIR MIXING PLANT BEING PROPOSED BY PL) IN CONFIDENTIAL

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LIGHT OF NEW ENERGY PROGRAM. PUBLIC HEARINGS MAY BE CONTEMPLATE. APPROVAL OF LPG IMPORTS WHICH PACIFIC LIGHTING HAD EXPECTED MOMENTARILY HAS NOW BEEN INDEFINITELY DELAYED.

5. IN CALIFORNIA, SENATOR ALQUIST HAS INTRODUCED LABOR'S VERSION OF LNG TERMINAL SITING LEGISLATION, WHICH PACIFIC LIGHTING FULLY ENDORSES. NONE OF GOGGIN'S AMENDMENTS TO HIS BILL ARE ACCEPTABLE TO PL. HEARINGS WILL BEGIN IN HOUSE APRIL 27 ON GOGGIN AND DANNEMEYER BILLS, LATER IN SENATE ON ALQUIST'S BILL. GOVERNOR BROWN'S OFFICE HAS ANNOUNCED HE IS STUDYING WHOLE SITUATION AND WILL MAKE KNOWN HIS POSITION ON THREE BILLS IN TWO-THREE WEEKS TIME.

6. ANOTHER FACTOR WHICH NEW ENERGY PROGRAM HAS BROUGHT TO FORE IS RELATIONSHIP BETWEEN THREE TCF OF GAS NOW BEING CONSUMED BY ELECTRIC UTILITIES, WHICH NEW PROGRAM WISHES TO MAKE AVAILABLE TO OTHER USERS, AND LESS THAN

THREE TCF OF GAS BEING CONTEMPLATED IN ALL LNG IMPORT
PROJECTS COMBINED. ARGUMENT WILL PROBABLY BE MADE THAT

WITH THIS AMOUNT OF DOMESTIC GAS "FREED UP" IN A FEW
YEARS, THERE WILL BE NO NEED FOR LNG IMPORTS.

7. O'ROURKE HAS NO OBJECTIONS TO EMBASSY DISCUSSION
OF ABOVE MATTERS WITH PERTAMINA.
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Message Attributes

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